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DEPARTMENT FOR EAP/CM

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TAGS: OVID PREL PGOV SCUL KCRM PTER CH
SUBJECT: SCENESETTER FOR THE VISIT OF FBI DEPUTY DIRECTOR
JOHN PISTOLE

Classified By: Acting DCM Aubrey Carlson. Reason 1.4 (b and d)

SUMMARY

¶1. (C) Deputy Director Pistole, your visit comes at a momentous time in China's history and in our bilateral relationship. January 1, 2009, will mark the 30th anniversary of official United States-China relations. During those thirty years, the U.S. Government presence in China has grown dramatically. Chinese officials are proud of having hosted a successful Summer Olympics and Paralympics and will likely express gratitude for FBI expertise and resources provided during the Games. We continue to seek greater cooperation in counterterrorism and intelligence exchanges and urge you to raise this with your interlocutors.

We also wish to explore cooperation to combat cyber-based fraud and international terrorism financing.

¶2. (SBU) Your visit to Beijing will allow you to witness the transition underway as China assumes a leading role on the global stage. Beijing's Olympic Games gave the world a clear look at the new architecture and infrastructure that typify China's cosmopolitan cities and demonstrate the transformation of urban China from grey Maoist orthodoxy to dynamic economic powerhouse. However, the same confidence and ideological flexibility that allowed China to shake off its Marxist economic shackles is lacking in the political sphere. Political reform lags, and, in the name of maintaining "stability," the security organs move swiftly against any group deemed a potential threat to central authority. This drives our ongoing friction with China in the human rights arena, where we vigorously demand that China respect the rights of its citizens as well as the will and conscience of the international community, which the Chinese Government just as vigorously protests as "unreasonable interference" in its internal affairs. End Summary.

Expanding Law Enforcement Cooperation

¶3. (C) The 2008 Summer Olympics provided excellent opportunities for increased liaison exchanges between the Bureau and China. During his January visit to Beijing, FBI Director Mueller offered the Ministry of Public Security (MPS) FBI expertise and resources during the Olympic Games, an offer the Chinese accepted. You will likely be thanked for that cooperation but should not miss the opportunity to emphasize that we could do much more together, especially in the areas of counterterrorism investigation and intelligence exchanges.

4.(SBU) In July 2006, the FBI and the MPS concluded three Memoranda of Understanding covering counterterrorism cooperation, cyber crime cooperation and personnel and training exchanges. These agreements have helped foster

cooperation somewhat, and the FBI and MPS have had noteworthy successful initiatives such as the Summer Solstice IPR investigation and the Bank of China Kaiping Branch embezzlement case. Nonetheless, significant crime problems remain. In order to fight growing cyber-based fraud and international terrorism financing, we need to significantly enhance our cooperation.

Economic Policies Foster Stability

¶15. (U) For China's leadership, economic issues are key to national political stability and Communist Party legitimacy, which is predicated largely on its ability to deliver stunning economic growth over the past three decades. In the first half of 2008, the leadership focused on double-digit inflation that threatened to erode the high-saving populace's nest eggs. Beijing adopted credit and tax policies that slowly cooled annual economic growth from 11.9 percent in 2007 to 10.4 percent in the first half of 2008. With fears of inflation abated, Beijing has now turned its attention to unstable international financial markets and prospects for lower industrial production growth, with their implications for slowing job creation and increasing popular dissatisfaction.

Financial Markets

¶16. (SBU) Chinese commercial entities have limited direct exposure to global financial instability. The same cannot be said for the Chinese Government, which has about USD 1.2

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trillion in foreign exchange assets invested in the United States (including about USD 500 billion in GSE debt, USD 500 billion in Treasury bonds, and another USD 200 billion in other dollar assets). China has acted in a generally responsible way when addressing global economic concerns, and the Chinese economy has proved so far to be resilient. Chinese Government interlocutors have been very interested in the role of Congress in stabilizing markets as well as how Congress and the Administration work together to resolve pressing economic issues. The Chinese are also interested in prospects for growth and import demand in the United States.

Exports

¶17. (U) Currently, China's exports remain strong, growing at over 12 percent annually in RMB terms (over 20 percent in dollar terms). With demand in China's big-three markets expected to contract, however, Chinese exporters face declining profits. Beijing has apparently responded to their concerns in part by slowing dollar-RMB appreciation, although the RMB continues to appreciate overall against a basket of trade-weighted currencies.

Playing a Constructive Role Internationally

¶18. (SBU) As China's economic power has grown, so has its international influence. Although China no longer exclusively aligns itself with other developing countries, it maintains its long-standing relationships with pariahs like North Korea, Burma and Iran. Over the past few years, however, China has demonstrated a desire to become a more responsible member of the international community. Our challenge is to motivate China to play a positive role in coping with thorny global issues like nonproliferation, terrorism and climate change with the same degree of seriousness it has demonstrated recently in supporting the Six-Party Talks for the denuclearization of the Korean Peninsula. The Chinese dispute their label as a rising global political power and claim they do not threaten the international status quo. Chinese leaders such as Premier

Wen Jiabao emphasize China's inward focus, given the enormity of the country's domestic challenges, in particular the need to improve the lot of the hundreds of millions of rural Chinese who have realized relatively few of the benefits of "reform and opening" that have accrued to the increasingly prosperous members of China's urban middle class.

China's links to Iran and Pakistan complicate cooperation

¶19. (SBU) Chinese leaders say they share our strategic goal of thwarting Iran's nuclear ambitions and have stated publicly that a nuclear armed Iran is not in China's interest. China has worked with the United States in the "P5 plus 1" process to reach consensus on four UN Security Council resolutions on Iran. However, China regards energy cooperation with Iran as related to its "core interest" of securing energy supplies crucial to the development of its economy. China therefore has resisted sanctions that might threaten Chinese involvement in Iran's energy sector. American experts continue to emphasize that Iran's threat to peace and stability in the Middle East outweighs any short-term advantages China gains from maintaining good relations with Tehran.

¶110. (SBU) China and Pakistan have enjoyed decades of close relations. China is concerned over instability in Pakistan and specifically how Pakistan's political morass affects Pakistani efforts against terrorism. China believes that extremist/terrorist elements in Pakistan have links to separatist groups in China's Muslim west. China welcomes dialogue with the United States on Pakistan.

Chinese Policy toward Burma

¶111. (SBU) Chinese leaders say that they convey to the Burmese regime the need for dialogue with opposition and minority groups, democratization and economic reform. China has been helpful in urging Burma to work with UN Special Advisor Ibrahim Gambari. As a practical matter, however, China's efforts have had little to no effect on the situation in Burma, possibly because China resolutely opposes sanctions and maintains growing commercial interests in Burma. Chinese officials counsel patience and persistence and urge Western nations to have modest, "realistic" expectations for political change in Burma. We regularly urge China to use

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its influence more aggressively in Burma.

Counter-Terrorism

¶112. (SBU) Given their own concerns about ethnic separatists in the western parts of the country, Chinese officials acknowledge a shared need to stop terrorism. While we support Chinese efforts to counter real terrorism concerns, we caution China on the need to avoid infringing on the religious freedoms of Chinese Muslims under the guise of fighting terrorism. International human rights groups have stated that China's efforts to fight what it calls separatism and terrorism in the west often cross the line into oppression of the Uighur people.

Nonproliferation

¶113. (C) We routinely share information with Chinese authorities about suspected violations of proliferation regimes and have had success in preventing shipments or shutting down suspect operations. On the positive side, China adopted laws in recent years aimed at curbing proliferation activities by Chinese companies. There is still a long way to go, and visiting U.S. experts continue to underscore the need for tougher safeguards and more

transparency in China's nonproliferation efforts. Following the October 3, 2008 notification to Congress of the U.S. Government's decision to sell defense articles to Taiwan, the Chinese Government issued a "strong protest" and warned of "consequences." The PRC subsequently canceled or suspended a number of military-to-military contact events and suspended dialogue in four bilateral arms control and nonproliferation areas, among other steps.

Taiwan: Improved Cross-Strait Ties, Arms Sale Tension

¶14. (SBU) Taiwan remains the most nettlesome issue in U.S.-China relations. Cross-Strait relations have witnessed significant improvement since the March 2008 election of Taiwan President Ma Ying-jeou, who has publicly pledged not to seek Taiwan independence during his term of office. The goodwill Ma has generated resulted in positive steps such as the re-establishment of the cross-Strait dialogue mechanism, commencement of weekend charter flights and Mainland tourist groups traveling to Taiwan. Many difficult political issues remain, including the long-term nature of cross-Strait relations and Taiwan's participation in international organizations.

¶15. (SBU) Our message to China on the arms sales has been to affirm the U.S. commitment to our one China policy based on the three Joint Communiques and the Taiwan Relations Act (TRA); express our conviction that U.S. arms sales to Taiwan contribute to stability in cross-Strait relations; state that the United States welcomes recent improvements in cross-Strait relations and supports the peaceful resolution of differences between the two sides; encourage China to pursue constructive cross-Strait dialogue to reduce tensions further; and urge reductions in China's military build-up across from Taiwan.

Human Rights

¶16. (SBU) The Chinese like to define human rights broadly to include factors affecting economic and social well-being, pointing out that China's "reform and opening" policies of the last 30 years have coincided with gradual improvements in the quality of life enjoyed by hundreds of millions of Chinese. They further argue that our focus on individual rights and liberties reflects "Western values." We respond to this self-serving argument by noting that these are universal values, as the Chinese themselves acknowledged when they signed the Universal Declaration of Human Rights. Although freedoms for Chinese citizens have expanded over the past 30 years, the overall human rights situation in China remains poor in many respects. We continue to emphasize that the expansion of individual freedoms, respect for the rule of law and the establishment of a truly free and independent judiciary and press are in China's own interests and would enable the PRC to deal with social tensions and achieve its goal of building a "harmonious society."

¶17. (SBU) Many had hoped that the scrutiny brought by the August 2008 Beijing Olympics would lead to improvements in China's human rights record, but Chinese leaders made clear

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that security and an "incident-free" Olympics, not the expansion of individual freedoms, were their highest priorities. They tightened controls over the domestic media, religion, NGOs and rights activists. Foreign media criticized China for breaking promises it made when it bid to host the Games. Instead of granting wide media freedom, China closed off nearly a third of the country to reporters "for security purposes" after the Tibet unrest in March. Some reporters were harassed or prevented from conducting interviews during the Olympics, and promises of unlimited Internet access went unfulfilled. Beijing claimed it set up "protest zones" to accommodate legal demonstrations during

the Olympics, although not a single protest was allowed to take place, despite 77 applications having been submitted. Some would-be protesters reportedly were detained, forcibly returned to their homes far from Beijing or otherwise harassed. Many dissidents were separately detained during the Olympics and Paralympics period, and were released only after the Games concluded.

Religious Freedom

¶18. (SBU) China has made limited progress on religious freedom in recent years, as Chinese citizens have gradually enjoyed more space in which to practice their religious beliefs. Chinese authorities have recently stressed the positive role of religion in building a "harmonious society."

Many Christian groups no longer operate in strict secrecy. Recent U.S. visitors to China have noted these developments in their meetings with Chinese officials and have underscored Americans' belief that religious adherents generally make good citizens.

¶19. (SBU) Despite these gradual positive steps, problems clearly remain. House churches are almost universally prevented from registering as legal entities, and therefore do not enjoy legal protections. There have been multiple reports of the harassment and detention of house church Christians and the closure of house churches. For instance, authorities detained prominent house church pastor Zhang Mingxuan following his meeting with Congressmen Frank Wolf and Chris Smith in late June. The overall situation is much worse in Xinjiang for Muslims and in Tibet for Buddhists.

Tibet/Dalai Lama

¶20. (SBU) Tibet remains a raw, emotional issue here for Tibetans and Han Chinese alike. In March 2008, violence and unrest struck Tibetan areas of China, and Tibetans and international observers accused China of brutality in the measures it took (and continues to take) to pacify the region. In July, China held another round of talks with representatives of the Dalai Lama, but there was no progress.

Another round of dialogue is reportedly scheduled for early November, but prospects for genuine progress appear remote. Recent U.S. visitors have pressed the Chinese to engage in serious, results-oriented dialogue and stop vilifying the Dalai Lama. Accompanied by actions to open Tibet to international journalists and diplomats, such steps could lend credibility to Tibetan leaders who favor dialogue and negotiation over violence and unrest. We have also urged China to demonstrate greater respect for peaceful Tibetan Buddhist religious practices, a step which would contribute to an improved human rights situation and long-term stability in Tibetan regions.

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